

Practical Strategies to Attract and Retain Economic Investment: Learning from EDSAT

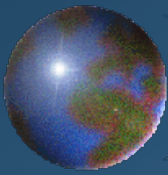
Barry Bluestone

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September 2013

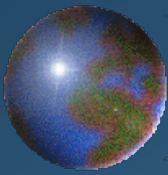
Northeastern University
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Today's Agenda

- ⊕ Economic Development
- ⊕ Deal Breakers and Deal Makers
- ⊕ EDSAT
- ⊕ Using EDSAT Results

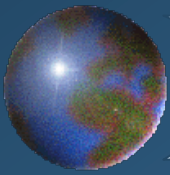


Economic Development is a collaborative
process that builds strong, adaptive
economies
and *requires leadership*

Companies move to municipalities, not states

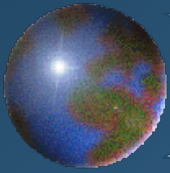
Municipal Officials

must play a critical role in attracting business
investment, jobs, and a strong tax base



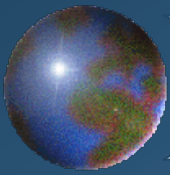
Local Communities on their Own

- ✪ With rising **federal deficits** and a bipartisan drive to cut the federal debt ... and at the same time a call for **tax cuts**, there will be little additional aid to local communities from the federal government



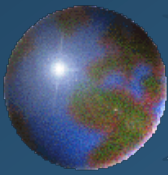
States in Crisis

- With states facing **structural budget deficits**, local aid from state governments will be in short supply in many states



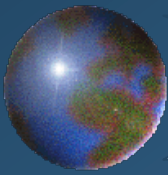
Local Economic Development

- ❖ In this new environment of fiscal constraint, local communities will prosper only if they are successful in finding new sources of revenue ... and the **best way to do this is to attract business enterprise to town**



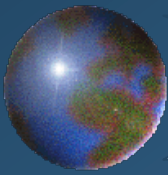
*Be the **CEO** for Economic Development*

- ❖ Municipal leaders must initiate and support the development process
- ❖ Begin by assessing your municipality's strengths and weakness
- ❖ Change what you have **control** over
- ❖ Collaborate with others on what you can **influence**



Fundamental Proposition

Cities and towns have the ability to create their own destiny, and they can benefit from having sophisticated partners who can help them develop tools and information to compete successfully.



Deal Breakers



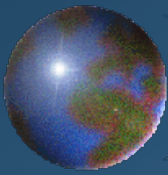
City Self-Assessment



City Action

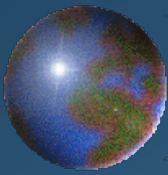


Deal Makers



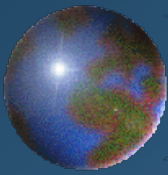
Deal Breakers

- ❖ Ignorance of Changing Market Conditions – “Time to Market”
- ❖ Uncorrected “Cognitive Maps”
- ❖ Too Little Attention to Site Deficiencies
- ❖ Slow Municipal Processes
- ❖ Too much reliance of Tax Breaks



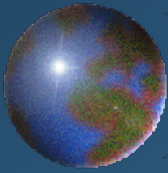
Deal Maker/Action Steps

- ❖ **Clarify** economic development goals and **identify** competitive strengths and weaknesses relative to other locations.
- ❖ Through the **Economic Development Self-Assessment Tool (EDSAT)**, cities now have access to the best thinking of private sector site location specialists to undertake an internal review of all aspects of their own community's development process.
- ❖ The NLC and the Dukakis Center are able to provide **ongoing economic development training** for municipal leaders and managers that focuses on how to respond to opportunities in various industrial sectors.



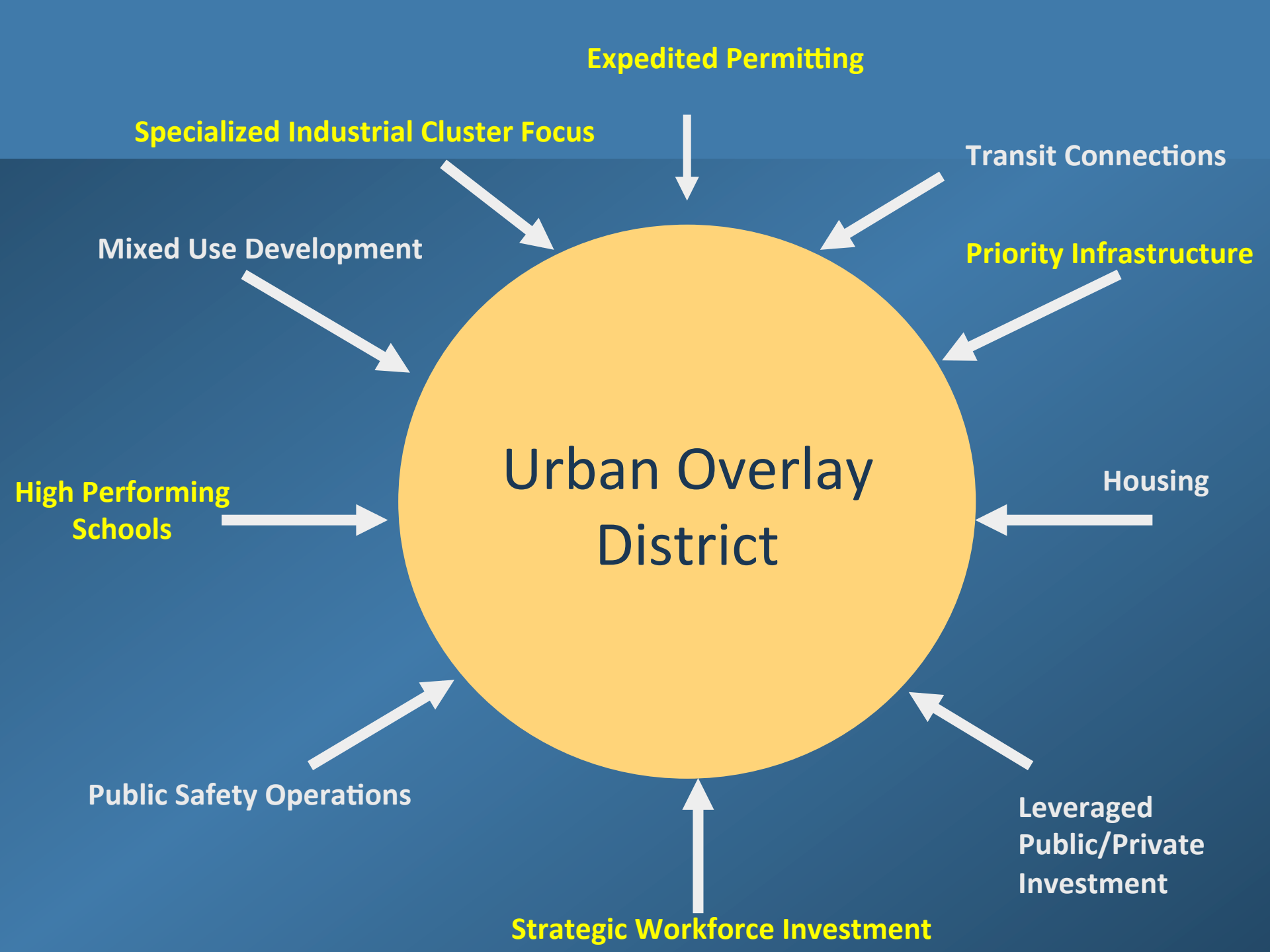
Deal Maker/Action Steps

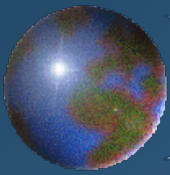
- ⊗ **EDSAT assists municipal officials in combining resources** to better market their communities and respond to inquiries from firms, developers, and location specialists.
- ⊗ **EDSAT assists cities in making their websites more attractive** to business by providing the information that businesses need to know in order to make rational decisions about locations.



Deal Maker/Action Steps

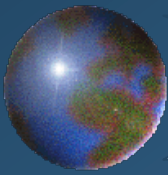
- Encourage the **enactment of urban overlay zoning districts** where there can be **flexible use, expedited permitting, focused public safety efforts, and amenity packages** essential to creating competitive advantage in an urban setting.





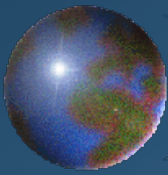
Deal Maker/Action Steps

- ❁ Make changes in **brownfields regulatory programs** to facilitate re-use of urban sites to facilitate faster clean up and further limit liability.
- ❁ Encourage changes in **state rules overseeing municipal property taxation** that force new owners to pay delinquent taxes of previous owners.



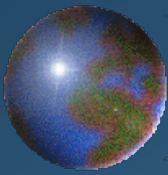
Deal Maker/Action Steps

- ④ **Identify market ready sites and have them pre-permitted** for industrial and commercial uses. The marketing of pre-permitted urban parcels can be done through city web sites, site finder services, and other commercial site services.
- ④ **Empower someone in the administration to specifically oversee the development process** and respond aggressively and proactively to the needs of firms considering the city as a site for location.
- ④ **Create a permit system that allows for a single presentation of a development proposal to all boards** with jurisdiction in the city and establish a specific time frame for community response in the initial stage of the review process.



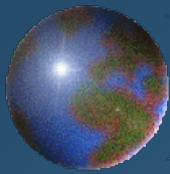
Deal Maker/Action Steps

- ❖ Use **Tax Increment Financing** to create revenue streams for critical infrastructure in urban locations.
- ❖ Site state and municipal facilities in urban locations to **stimulate creation of amenities** and other attractions to spur private sector commercial and industrial investment.



Development of EDSAT

- We surveyed corporate real estate and development professionals on location decisions
NAIOP (National and Massachusetts Chapter)
CoreNet Global
- Based on the NAIOP/CoreNet survey the Economic Development Self-Assessment Tool (EDSAT) for municipal leaders was created



Sample

NAIOP

CoreNet

Project type selected

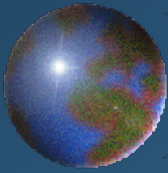
General Industrial	40.0%
Commercial / Profess.	38.8%
Mixed-use	8.8%
R& D Facility	5.0%
Retail	5.0%
Manufacturing	2.5%

Office / Headquarters	68.5%
Manufacturing	10.4%
Retail	10.4%
Mixed-use	5.7%
R&D Facility	2.8%
Distribution / Warehouse	1.9%

Geographic area in which do most of work

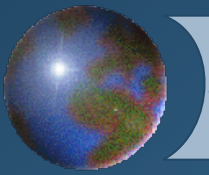
Pacific	18.9%
Middle Atlantic	18.9%
South Atlantic	18.9%
East North Central	8.8%
International	7.6%
East South Central	6.3%
West North Central	6.3%
New England	5.0%
West South Central	5.0%
Mountain	3.8%

International	38.3%
Pacific	32.7%
Middle Atlantic	28.0%
West South Central	21.4%
East North Central	20.5%
South Atlantic	19.6%
New England	19.6%
West North Central	15.8%
East South Central	15.8%
Mountain	11.2%



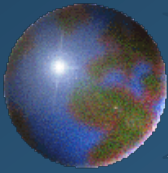
NAIOP/CoreNet Survey Categories

- ✚ Permitting Processes
- ✚ Labor
- ✚ Development and Operating Costs
- ✚ Business Environment
- ✚ Transportation and Access
- ✚ Quality of Life/Social Environment



Which location factors are most important?

- ⊕ On-site parking
- ⊕ Rental rates
- ⊕ Availability of appropriate labor
- ⊕ Timeliness of approvals and appeals



Which location factors are less of a deterrent?

- ✚ Municipal minimum wage law
- ✚ Access to rail
- ✚ Strong trade unions

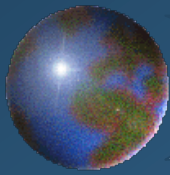
Survey Results

Mean Scores for All Factors (1 = Very Important; 4= Unimportant)

Factor	Mean
Onsite parking for employees	1.51
Rental rates	1.55
Availability of appropriate labor	1.57
Access to airports / major highways*	1.63*
Timeliness of approvals / appeals	1.70
Quality / capacity of infrastructure	1.75
Competitive labor costs	1.78
Traffic congestion	1.79
Property taxes	1.83
State tax / financial incentives**	1.83**
Crime rate in the area	1.84
Fast track / concurrent permitting	1.84
Access to major highways**	1.85**
Local tax / financial incentives	1.87
Land costs	1.87
Predictability / clarity of permitting	1.88
Undesirable abutting land use	1.89
Physical attractiveness of area	1.95
State tax rates**	1.96
Municipal rep. as good place to work	1.97

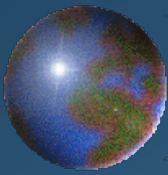
Factor	Mean
Municipal rep. as good place to live	2.03
Municipal rep. for economic dev.	2.03
Zoning by right	2.09
Proximity to restaurants / shops	2.10
Public transportation	2.15
Cost of housing for employees	2.15
Complementary business svcs**	2.16
Critical mass of similar firms	2.20
Access to airports**	2.21
Quality of local schools	2.21
Awareness of brownfields	2.24
Permitting ombudsman	2.32
Awareness of strong neighborhood orgs	2.37
Customized workforce training	2.49
Availability of sports/cultural/ recreational opps	2.62
Proximity to research/universities	2.66
Informative municipal website	2.75
Strong trade unions	2.82
Access to railroads**	2.84
Municipal minimum wage law	3.00

* Question asked in NAIOP survey only. **Question asked in CoreNet survey only.



*When asked what they thought was
most critical, they said...*

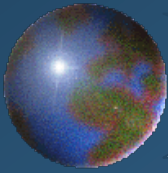
- ⊕ Proximity to major highways, airports, and transportation routes
 - ⊕ Rents, land costs, and lease costs
 - ⊕ Availability of appropriate labor pool
 - ⊕ Permitting, approvals, and appeals processes
 - ⊕ Amenities and services nearby
 - ⊕ Pro-business/development friendly city
- ...consistent with our survey results



The Self-Assessment Tool (EDSAT)

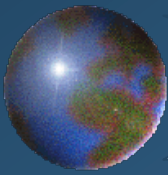
The self-assessment tool includes sections on:

1. **Access to Customers/Markets**
2. **Concentration of Businesses and Services (Agglomeration)**
3. **Cost of Land (Implicit/Explicit)**
4. **Labor**
5. **Municipal Process**
6. **Quality of Life (Community)**
7. **Quality of Life (Site Amenities)**
8. **Business Incentives**
9. **Tax Rates**
10. **Access to Information**



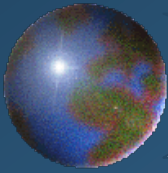
The Framework for the Tool

- City officials and staff working together answer over 200 questions in 10 categories
- The results of the Self-Assessment Tool are secure and provided only to the local officials. Each community can choose to share the results at their own discretion
- The results provide an ability to ascertain a community's economic development strengths, weaknesses, opportunities and threats



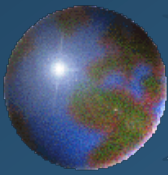
Customized EDSAT Reports

- ✚ In a typical report you will find:
 - (a) A summary of your responses to the self-assessment questionnaire
 - (b) Color coded benchmarks against all municipalities that have participated in the self assessment
 - (c) Dukakis Center staff analysis of your responses and a prioritized list of deal breakers to help you think about these issues in a concrete, actionable way
 - (d) A ranking system noting which location factors are *most important, somewhat important, and less important* to attracting investment



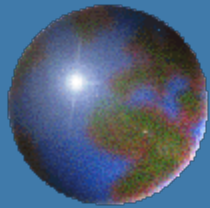
Uses for EDSAT Results

- ⊕ Define or refine economic development strategy and goals
- ⊕ Identify deal breakers and deal makers within municipality and municipal services
- ⊕ Turn deal breakers into deal makers
- ⊕ Benchmark existing economic development plan
- ⊕ Integrate into master planning



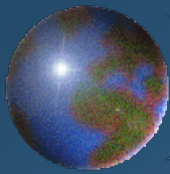
Uses for EDSAT Results

- ❖ Integrate into marketing
- ❖ Kickoff for regional collaboration
- ❖ Better understand the integration of municipal processes
- ❖ Better understand the economic development process



EDSAT Testimonials

What folks are saying

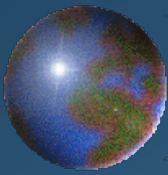


“The Partnership has provided me with the knowledge and assistance I need to understand and respond to the rapidly changing economic environment and to be an effective leader for economic development in my city.”

James Mitchell, Council Member, Charlotte, NC and 1st Vice President, National League of Cities

“I'm using this as a guidebook for re-tooling our development process.”

Mayor Charles Ryan, Springfield, MA



“This is a great roadmap for the essentials for benchmarking our city's economic development policy.”

Jay Ash, City Manager, Chelsea, MA






“We want the mayor to use this data [from the self-assessment] as a selling tool to get firms to come to our town....I think there's real value in being able to hand this information to a firm that might be interested in our town. It's been a great exercise for Norwood and we're just beginning to explore what changes we can make a result.”

Steve Costello, Town Planner, Norwood, MA


A Brief Test Drive of EDSAT


Sample Questions & Results


Sample Result 1

 A. Labor Cost			
Report of _____ as compared to all jurisdictions			
Question			Comparison Group
1: What is the prevailing average hourly wage rate for semi-skilled, blue-collar manufacturing workers?	\$12.51-\$20		\$12.51-\$20
2: What is the prevailing average hourly wage rate for mid-level clerical workers?	\$12.51-\$20		\$12.51-\$20
3: What is the prevailing average annual salary for public high school teachers?	\$45,000-\$54,000		\$45,000-\$54,000
4: Is there a local minimum/living wage statute?	no		no


Importance To Market


 Very Important


 Important

 Less Important

Your Performance Relative To Peers

 Strong

 Average

 Weak

Sample Result 2

☐
E. Proximity to Universities & Research

Report of

as compared to all jurisdictions

Question			Comparison Group
23: How many major public or private four-year colleges or universities are located within your jurisdiction? (if none, type "0")	1		1
24: How many major public or private four-year colleges or universities are within 10 miles surrounding your jurisdiction? (if none, type "0")	3		2
25: How many community colleges are located within your political boundaries? (if none, type "0")	1		1
26: How many vocational/technical schools are located within your political boundaries? (if none, type "0")	1		1








Importance To Market

☒ Very Important
 ☐ Important
 ☐ Less Important


Your Performance Relative To Peers


☒ Strong
 ☐ Average
 ☐ Weak


Sample Result 3

 A. Local			
		Report of	as compared to all jurisdictions
Question			Comparison Group
1: Does your jurisdiction tax property in industrial or commercial uses at a different rate than residential properties?	yes		yes
2: If yes, what is the tax rate on industrial/commercial property? \$ /\$1,000	18.33		between 19.37 and 19.68
3: If yes, what is the tax rate on residential property? \$ /\$1,000	11.25		between 10.62 and 10.77
4: If no, what is the tax rate on all property?			
5: What % of your tax revenue is derived from: Industrial %	18		5.75
6: What % of your tax revenue is derived from: Commercial %	7		12
7: What % of your tax revenue is derived from : Residential %	75		75


Importance To Market


 Very Important


 Important

 Less Important














Your Performance Relative To Peers

 Strong















 Average

 Weak

Sample Result 4

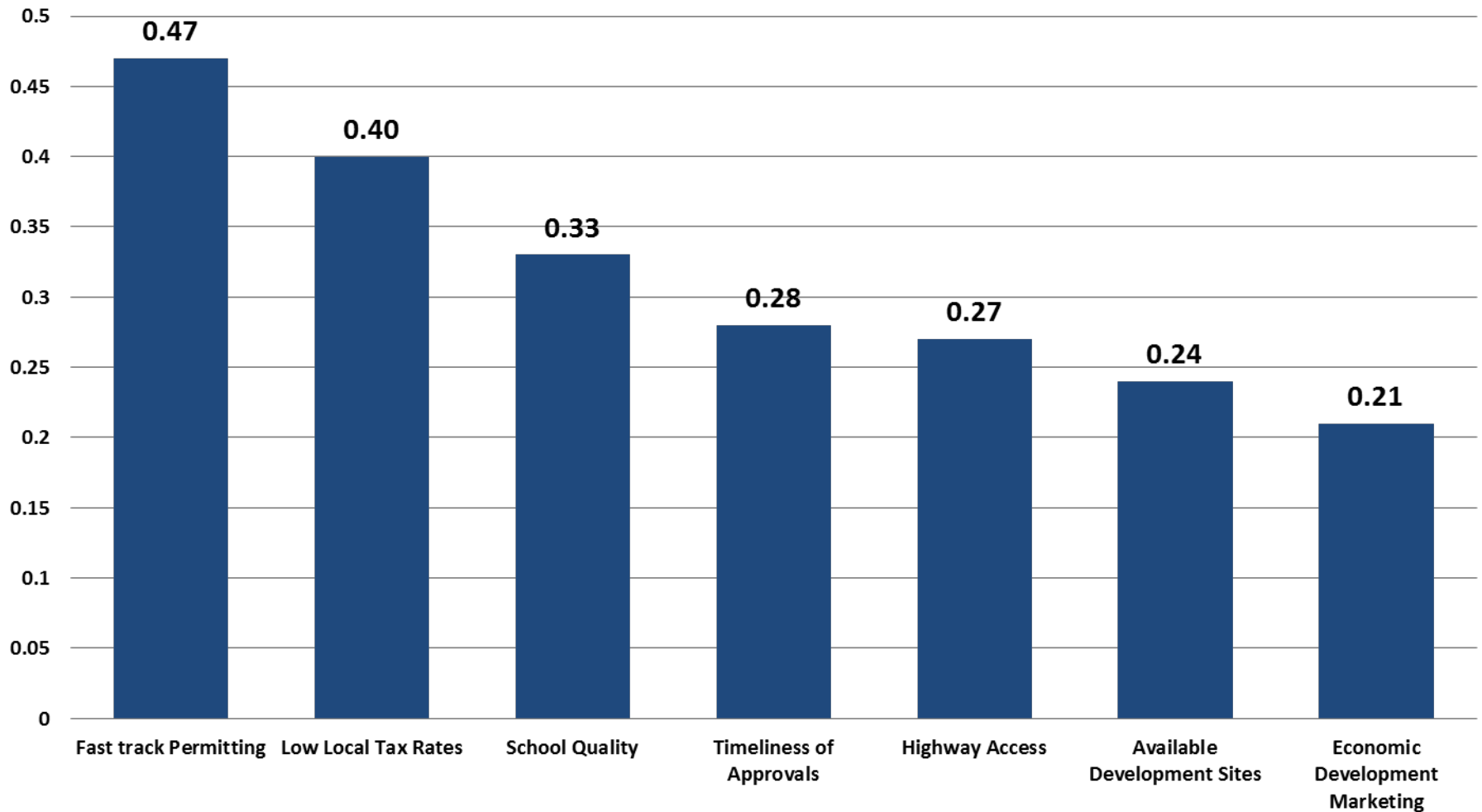
<div>  C. Parking </div>			
		Report of	as compared to all jurisdictions
Question			Comparison Group
12: What percentage of available sites for retail trade have on-site parking?	50-74%		75%+
13: What percentage of available sites for manufacturing have on-site parking?	75%+		75%+
14: What percentage of available sites for general office space have on-site parking?	75%+		75%+
15: Does your jurisdiction offer parking facilities near development sites?	yes		yes
16: Have you employed tax abatements or other financial incentives to local employers to provide off-site parking?	no		no
17: Have you used state or federal infrastructure grants to improve parking in your jurisdiction?	no		no
<div> <div> Importance To Market <div>  Very Important  Important  Less Important </div> </div> <div> Your Performance Relative To Peers <div>  Strong  Average  Weak </div> </div> </div>			

Sample Result 5

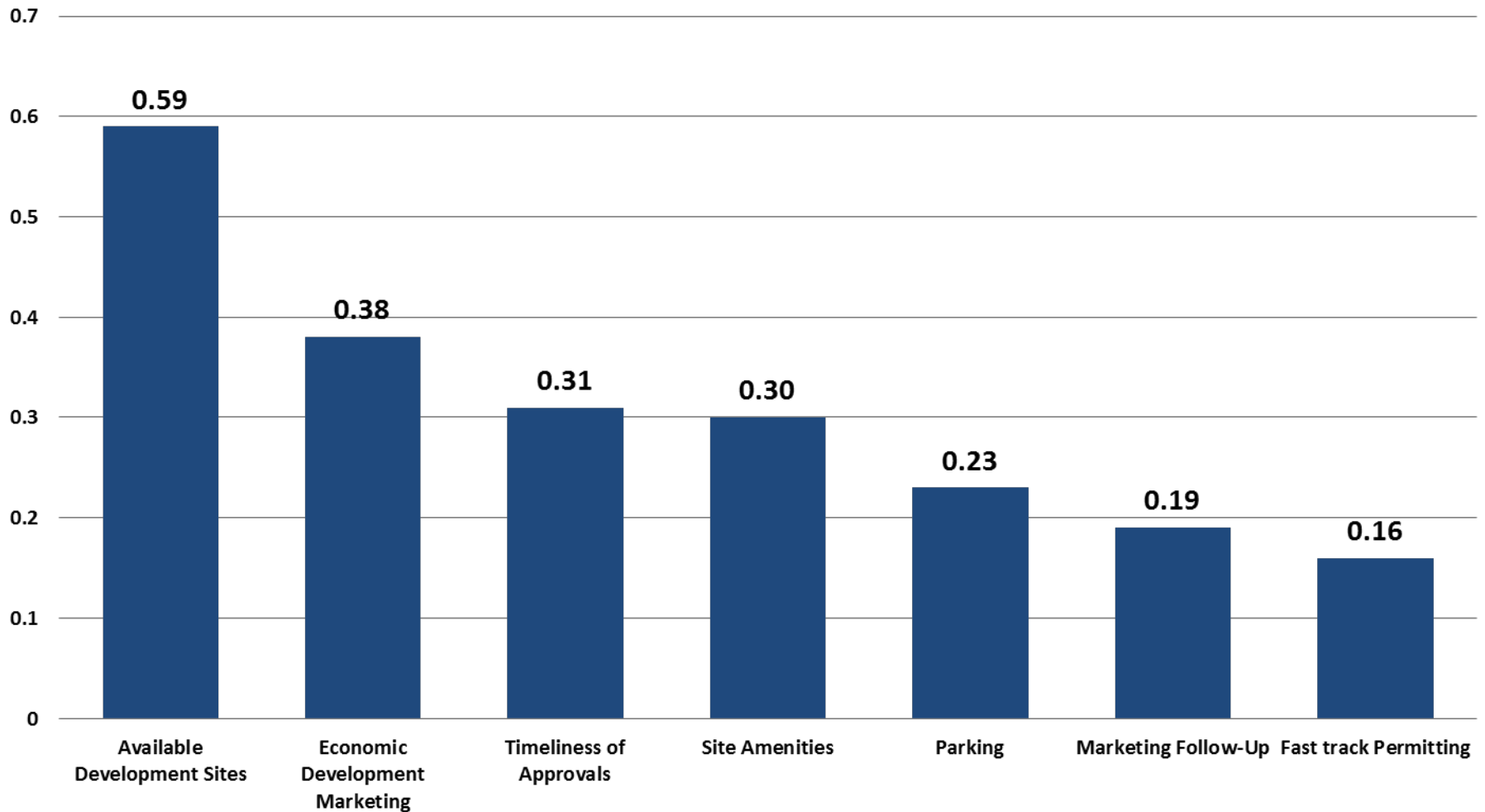
<div>  C. Timeliness of Approvals </div>			
Report of _____ as compared to all jurisdictions			
Question			Comparison Group
13: What is the average time from application to completion of the review process for the following?: Site plan review	5-8 weeks		5-8 weeks
14: What is the average time from application to completion of the review process for the following?: Zoning variance	5-8 weeks		5-8 weeks
15: What is the average time from application to completion of the review process for the following?: Special permit	9-12 weeks		9-12 weeks
16: What is the average time from application to completion of the review process for the following?: Building permit	0-4 weeks		0-4 weeks
17: What is the average time from application to completion of the review process for the following?: Appeals process	48+ weeks		5-8 weeks
18: What is the average time from application to completion or occupation in existing structures: Site plan review	37-48 weeks		5-8 weeks
19: What is the average time from application to completion or occupation in existing structures: Zoning variance	17-20 weeks		5-8 weeks
<div> <div> Importance To Market <div>  Very Important  Important  Less Important </div> </div> <div> Your Performance Relative To Peers <div>  Strong  Average  Weak </div> </div> </div>			

Initial Analysis of EDSAT Data for Working Cities

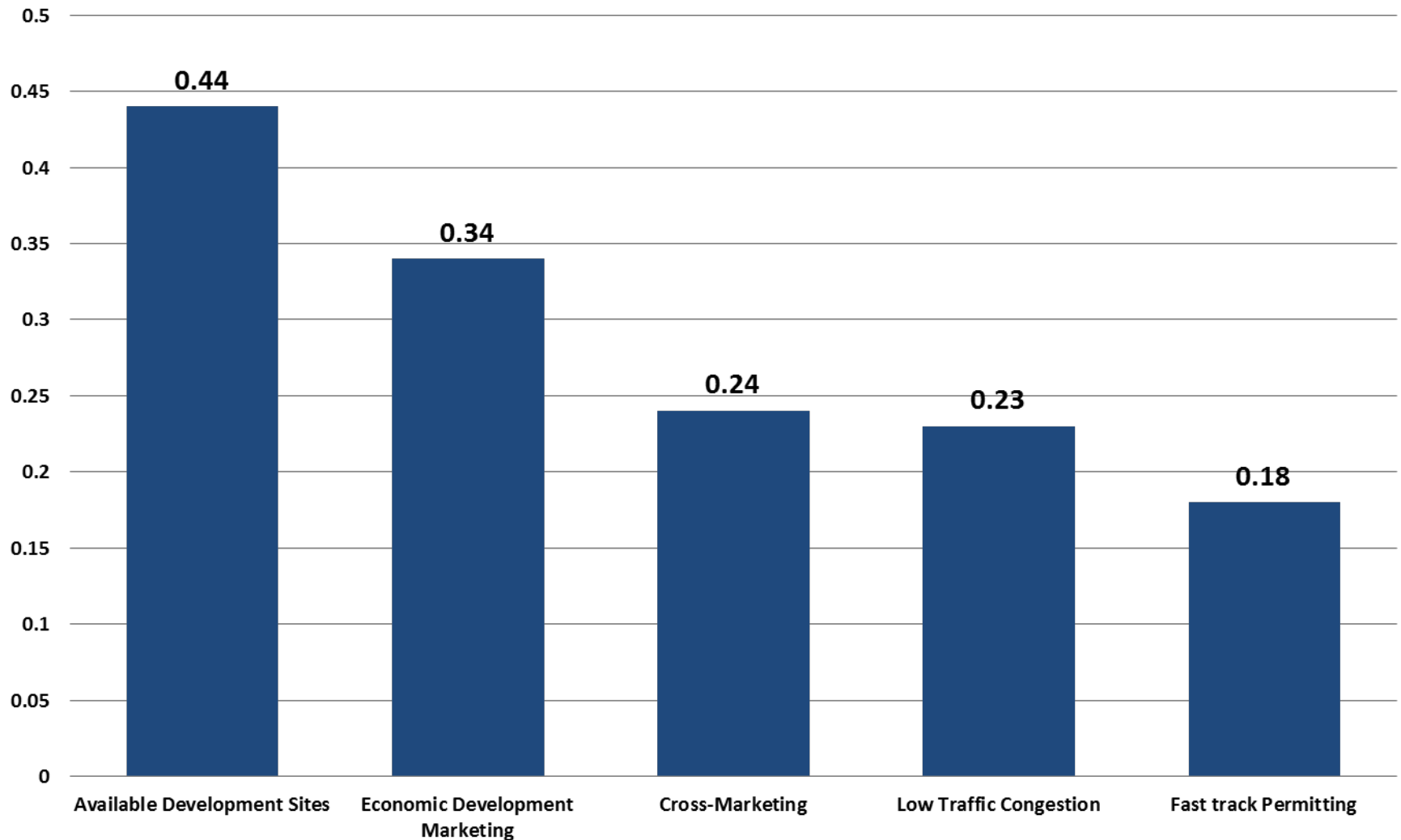
**Working Cities - Factors Most Highly Correlated with Increase in
Establishments
2001-2011
ES-202 Data**



**Working Cities - Factors Most Highly Correlated with Increases in
Employment
2001-2011
ES-202 Data**



Working Cities - Factors Most Highly Correlated with Increase in Employment 2001-2011 County Business Patterns/Zip-Code Data





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